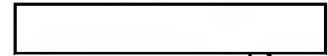


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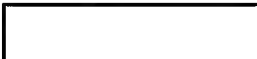


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DAILY BRIEF

South Vietnam: The sustained engagement this week between sizable government and Viet Cong forces was the first of its kind in the delta area.

The action, touched off last Sunday by a major Viet Cong attack on a district capital in Chuong Thien Province, continued into Thursday. Government reinforcements pursuing the Viet Cong at times were ambushed, and encountered determined resistance from fortified positions.

At least two regular Viet Cong battalions and the equivalent of seven government battalions were involved. Losses on both sides were heavy. As of Tuesday, government casualties reportedly numbered over 300, including 131 killed and missing. Viet Cong losses included at least 59 confirmed dead, with many others carried from the battlefield.

Although government forces were aggressive in the action, resupply in this remote area has been a major problem for them. Some units ran short of ammunition. This region is adjacent to a traditional Viet Cong stronghold, and the Viet Cong appeared well supplied. The extended operations indicate careful advance preparations by the insurgents.

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Brazil: President Castello Branco's cabinet is composed mainly of competent, pro-Western technicians.

Six members appointed by interim President Mazzilli have been retained. Among these are Foreign Minister Leitao da Cunha and Finance Minister Bulhoes, both of whom are highly regarded career officials. War Minister Costa e Silva, a leader in the revolutionary command which overthrew Goulart, also remains in office, as do the labor, air, and navy ministers.

On balance, the cabinet is centrist-conservative in orientation. A number of the appointees are close associates of Carlos Lacerda and the other governors involved in the anti-Goulart movement.

Most of the cabinet members have had long experience in their respective fields. Justice Minister Milton Campos, for example, is a much-respected senator and lawyer. Minister of Mines and Energy Juracy Magalhaes has headed both the federal oil monopoly and the government's iron-mining company.

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Common Market: The EEC Council of Ministers has again failed to resolve the politically charged issue of unified grain prices, a development that could hamper the Kennedy Round tariff negotiations which begin next month.]

[Despite strong French and Dutch pressure, the West Germans have made their acceptance of common price levels dependent on the fulfillment of many prior conditions. One of these would permit Bonn to veto any lowering of the grain price level after 1 January 1966, even though the EEC treaty provides for majority decisions on such matters at that time.]

[Several compromises--including new price proposals by EEC Commissioner Mansholt--may be offered at a meeting of ministers of agriculture on 28-29 April, but there are no signs that the Germans will be any less intransigent. In discussions with high Italian officials in early April, members of a German economic delegation stated that prospects for agreement were very bleak, since "no German government or parliament" could accept even a minimal reduction in cereals prices.]

[The continued impasse has moved Mansholt to remark that in the Kennedy Round "there can be no negotiations in agriculture until we have a decision on grain price."]

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*France: De Gaulle's "fireside chat" yesterday, while reaffirming current French policies, reflected some concern over domestic economic stability as well as sensitivity to recent criticism of France's military and foreign aid programs.

De Gaulle devoted much of his short television appearance to rebutting attacks in the press on these programs. A recent series of critical articles in the mass-circulation weekly Paris-Match, which maintained that expenditures on advanced weapons and foreign aid are impoverishing France, touched off a strong riposte by the progovernment press. De Gaulle may have wished to give this reaction added emphasis by associating himself with it.

De Gaulle observed that the EEC was becoming essential to French prosperity and was particularly important for the larger market it offered to French farmers. Although he did not mention the forthcoming Kennedy Round negotiations in Geneva, his remarks were probably intended to underscore his commitment to win French access to the West German agricultural market, a development he has previously indicated is prerequisite to meaningful negotiations in Geneva.

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NOTES

Cyprus: UN Secretary General Thant is trying to remove the danger of a serious clash between Greek Cypriots and the Turkish Army regiment which is still deployed astride the important Nicosia-Kyrenia highway. He is hoping to overcome Turkish objections to placing the contingent under UN command by suggesting that although the UN commander would move it from the highway, he would not order it back to its barracks in Nicosia. Thant has also urged the US to promote a meeting between premiers Inonu and Papandreou to avert further deterioration in relations between Turkey and Greece.

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India: The bitter power struggle and ideological disputes at the Communist Party's national council meetings have precipitated a split that may soon become formal and final. Leaders of the militant "left" faction, followed by influential "centrists," walked out of the council sessions. They have, however, avoided setting up a separate party favoring the Chinese ideological position in deference to the "centrists," who oppose such hasty action. Party chairman Dange's pro-Soviet majority group has suspended--rather than expelled--those who walked out, to allow the return of the "centrists" should they and the "leftists" fall out.

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Editor's Note: The title of SNIE 36-2-64, USIB approval of which was announced in the CIB of 16 April 1964, should read: "Implications of Certain US Military Aid to Israel."

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